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INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 3508
RUEHBJ/AMEMBASSY BEIJING PRIORITY 5004
RUEHBUL/AMEMBASSY KABUL PRIORITY 9277
RUEHLO/AMEMBASSY LONDON PRIORITY 8921
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C O N F I D E N T I A L SECTION 01 OF 04 ISLAMABAD 003350

SIPDIS

E.O. 12958: DECL: 08/04/2018

TAGS: [PREL](#) [PTER](#) [PGOV](#) [PK](#)

SUBJECT: BOUCHER OUTLINES WAY FORWARD FOR "FRIENDS OF A
DEMOCRATIC PAKISTAN"

REF: STATE 110863

Classified By: Anne W. Patterson, for reasons 1.4 (b)(d)

¶1. (C) Summary. At an October 20 meeting in Islamabad hosted by President Zardari, representatives of Pakistan, the U.S., the UK, Saudi Arabia, UAE, and China discussed the organization and possible goals of the Friends of Democratic Pakistan group. They agreed to Foreign Secretary Bashir's suggestion that the next step be heads of mission consultations of the core group in Islamabad to outline the agenda of a proposed November Friends meeting. They accepted Ambassador Boucher's suggestions that: (1) the Abu Dhabi meeting be hosted by Pakistan and the UAE. The Foreign Ministry pushed for the ministerial level but afterwards acknowledged that the late nature of the invitation might require some countries to participate at the sub-ministerial level; (2) Pakistan should prepare and circulate papers outlining its needs, with a probable focus on security and economic development; and, (3) Pakistan would prepare and circulate a draft organizational plan addressing membership policy and the role of the UN. Boucher and UK representative Philip Barton pressed for asking the UN to organize a secretariat for the Friends group; Zardari quickly squelched Bashir's concern about UN involvement, but the Foreign Ministry has lingering concerns. The UAE and China Charges d'Affaires were in listening mode.

¶2. (C) Urged by Saudi Ambassador Asseri to formulate specific and blunt proposals for assistance, Zardari quipped that he wanted "oil from the oil states, money from the rich states and diplomacy from the UK" but promised a presentation at the Emirates' meeting on Pakistan's needs. Asseri stressed any solutions to Pakistan's problems should be "home grown" and cautioned that the Friends group should not be focused on obtaining cash from members. Zardari accepted Saudi King Abdullah's offer to visit the Kingdom in early November and suggested he would like to participate in the November 12-13 interfaith dialogue sponsored by Saudi Arabia at the UN in New York. Finance Minister Tareen gave a brief presentation and promised donors transparency, documentation and that Pakistan would not "fritter away" donor aid. End Summary.

¶3. (C) On October 20, President Asif Zardari chaired a meeting of the Friends of a Democratic Pakistan (Zardari

suggested adding "democratic" in a meeting with Assistant Secretary for South and Central Asia Richard Boucher on September 19, see septel) in Islamabad. Also attending were: (U.S.) Assistant Secretary for South and Central Asia Richard Boucher, Ambassador, Polcouns/notetaker; (Pakistan) Prime Minister Yousaf Gilani, Minister for Information and Broadcasting Sherry Rehman, Finance Minister Shaukat Tareen, Foreign Secretary Salman Bashir, and Additional Secretary for South Asia Aizaz Chaudhry; (UK) Foreign Office Director Philip Barton, Tom Drew, Polcouns UK Embassy; (Saudi Arabia) Ambassador Ali Awadh Asseri; (UAE) Charge Abdullah Ali Al-Mansoori; (China) Charge Yaho Jing.

14. (C) Zardari opened the meeting by thanking the participants and suggesting the group build on preliminary discussions in New York at the inaugural Friends meeting to define the process of how to bring a regional perspective to helping Pakistan deal with the effects of militancy and a global economic recession.

15. (C) Boucher noted that Pakistan has many friends who are ready to join the group across geographic boundaries. He recommended, however, that there be a core steering group that would work together by consensus. Boucher suggested that the goal of this meeting should be to determine how to work together, how to add new members, what role the United Nations could play in providing a secretariat, and to set the agenda for the next meeting in the UAE. He noted that he had met with Prime Minister

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Gilani and was pleased to hear a report of what the Pakistani government was already doing; the focus of the Friends group, he proposed, would be to coordinate how other countries could fill in the gaps to support Pakistani efforts.

16. (C) Saudi Ambassador Asseri said that he could not comment on Saudi goals because the concept of the group was at this point too vague and recommended the group set a "crystal clear" agenda. He re-iterated that King Abdullah looked forward to President Zardari's visit to Saudi Arabia. For now, however, Riyadh was in listening mode regarding proposals for the Friends.

17. (C) UK representative Barton said the UK strongly supported efforts to establish the Friends and agreed the group should address broad areas, especially the fight against extremism and the need to support economic development. He echoed Ambassador Boucher's call for a small steering group that could allow an inclusive approach to add members but still be manageable. Barton said the UK would support a secretariat managed by the UN.

18. (C) The Chinese Charge reiterated his country's support for the position adopted at the September 26 Friends meeting (see reftel). The UAE Charge merely said Abu Dhabi's support for Pakistan was strong.

19. (C) Zardari then launched into a long statement directed primarily at the Saudi Ambassador. He noted the Saudis had an excellent program for converting terrorists that Pakistan wanted to emulate, asked that the imam from the Kabaa return to Pakistan to preach a moderate message at the Faisal mosque in Islamabad, pledged to strengthen Pakistan's anti-terrorism laws to allow for longer detention periods, urged the U.S. to share more satellite imagery to support Pakistani ground forces' actions, called for improved disaster management in the wake of the Marriott bombing, repeated his request for UK armored personnel carriers, noted that every bomb translates into a \$500 million loss from his economy, expressed satisfaction that lashkars (tribal militias) were emerging to support Pakistani Army action but said the lashkars were

poorly equipped with pre-World War I rifles, acknowledged that Pakistan had received \$7 billion in international aid but said most was spent on the military, called for help to enhance the military's capability, and commented in a reference to senior terrorist leaders that "we haven't got the big boys yet and are scared of what happens, how they react, when we do."

¶10. (C) Zardari said he was not asking for \$100 billion in handouts, but needed funds immediately to build investor confidence. Many countries of the world are feeling the effects of the financial crisis, but Pakistan does not have the capacity to absorb these financial shocks. "We mean business" and will make reforms, said Zardari, but the country was coping with the rise in oil and food prices and needed preferential market access for its cotton textile imports. He reviewed his idea to encourage farmers to plant corn that can be converted to ethanol as a substitute crop for opium. "If the promised Biden-Lugar assistance had come last week, we would be okay, but now the world recession has compounded Pakistan's troubles. We need short-term assistance; we cannot afford to fail." Zardari then asked Finance Minister Tareen to brief the group.

¶11. (C) Tareen noted Pakistan's visible economic decline and how investor confidence is weakening as foreign reserves and stock values decrease. He cited a previously mismanaged economy, the strain of war, lower investor ratings, and the decline in investor confidence. Tareen called for the Friends group to establish a menu of issues from which individual members could choose to offer assistance, including oil assistance, poverty elimination, intelligence assistance and social/religious programs. He promised transparency and documentation, said Pakistan would not "fritter away" donor assistance and would not shy

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away from making tough decisions on structural perform.

¶12. (C) Tareen outlined one specific initiative, which was later clarified by Zardari for the puzzled Saudi Ambassador, regarding remittances from Pakistan's overseas workers. Tareen suggested that foreign countries can predict rising level of remittances and suggested they should all be deposited in one central bank account in each country; that bank could provide an advance to the Pakistani government, which would pay back the principal over five years and provide local currency to the families of the workers at home. This, Tareen declared, was a "risk free" way to provide \$1-2 billion in quick money for the government. Asseri suggested the matter be discussed bilaterally.

¶13. (C) Asseri commented that the solution to Pakistan's problems must be a "100% home grown" and include a coordinated, cohesive mosque/media/anti-terrorism approach to development, law reform, and de-radicalization. He suggested Zardari should present King Abdullah with a specific program; Zardari responded that he was ready to come "tonight" with a wish list. Asseri commented that the Friends group should not be seen as an economic forum focused on cash commitments by donor countries.

¶14. (C) Boucher noted that there were many bilateral programs possible by different donors and said the Friends group could ensure that there were no holes in Pakistan's program goals through a systematic approach to coordinated donor aid. He suggested a way forward that was agreed by the group: (1) Pakistan and the UAE would host the next meeting; (2) Pakistan would provide at that meeting papers on their efforts in key sectors, e.g., counter-extremism, security, economics, which would form the basis for the meeting's substantive agenda; (3) Pakistan would circulate a draft paper on the proposed organization, membership policy and role of the UN as a

secretariat.

¶15. (C) The Prime Minister made a brief statement thanking the group, reiterating the gravity of the situation and identifying law and order and the economy as Pakistan's biggest inter-related challenges. He expressed support for the Saudi effort to promote inter-faith dialogue and excused himself to attend the ongoing special joint session of parliament on the security situation. Zardari indicated he wanted to attend the November 12-13 interfaith dialogue session initiated by Saudi Arabia at the UN and suggested he visit Riyadh before then; Asseri suggested November 4-5 as a possible date for Zardari's visit but said the foreign ministries would confirm this. Zardari agreed.

¶16. (C) Foreign Secretary Bashir suggested the UAE meeting be at the ministerial level but that the agenda could be worked out in Pakistan first at the heads of mission level. Boucher said the U.S. would support work in Pakistan first but suggested the UAE mission be at the officials level since it would be difficult to secure all ministers at this late date. (Note: After the meeting, Bashir quietly agreed that Ambassador Boucher could represent the U.S.) Asseri pushed for a Pakistani team of experts to "be blunt" and formulate specific proposals for consideration. Zardari quipped, "we want oil from the oil countries, money from the rich countries, and diplomacy from the UK." Bashir suggested including the EU; Zardari suggested the possibility of adding Korea, Libya and African countries to the Friends circle. Boucher suggested the core group plus the UN would be the best place to begin; then, others could be invited based on their interest in providing assistance in select areas.

¶17. (C) Bashir outlined what he described as a platform for solidarity; he suggested the Friends could provide the basis for expanding bilateral relations and world community support but needed to remain flexible. He said Pakistan would have to examine the UN role carefully because Pakistan was not a basket case country and should not be

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considered a failed state like other recipients of UN Friends' programs. He suggested that we check with the UN legal department to ensure there would be no objections. Zardari quickly intervened, saying that Pakistan must accept reality and that "denial was not an option." He proposed that Pakistan brief the Friends group on its needs at the UAE meeting.

¶18. (U) Assistant Secretary Boucher's office has cleared this message.

PATTERSON